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Board of Directors  
Encina Financing Joint Powers Authority  
Carlsbad, California

## **SUMMARY OF AUDIT RESULTS**

We have audited the financial statements of the Encina Financing Joint Powers Authority ("Authority") for the year ended June 30, 2011, and have issued our report thereon dated November 11, 2011. Professional standards require that we provide you with the following information related to our audit.

### ***Our Responsibilities under U.S. Generally Accepted Auditing Standards***

Our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

### ***Scope and Timing of the Audit***

Audit fieldwork was substantially completed in September 2011. Significant risks of material misstatement addressed by our auditing procedures included:

- Fraud risk for cash receipts and cash disbursements
- Risk of material fraud or misstatement associated with investments
- Risk of improper revenue recognition
- Risk of improper classification of expenditures

### ***Significant Audit Findings***

We did not identify any deficiencies in internal control we consider to be a material weakness.

### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Authority are described in note one to the financial statements.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Examples of significant judgments and estimates reflected in the Authority's financial statements and disclosures include estimates involving revenues and expenses to be accrued as of year end.

#### ***Difficulties Encountered in Performing the Audit***

We encountered no difficulties in performing and completing our audit.

#### ***Corrected and Uncorrected Adjustments***

Professional standards require us to accumulate all known and likely adjustments identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Corrected adjustments include restating the opening installment sales receivable balance.

#### ***Disagreements with Management***

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated November 11, 2011.

#### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### ***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Board of Directors and management of the Authority and is not intended to be and should not be used by anyone other than these specified parties.

*Mayor Hoffman Melon R.C.*